



Joint Economic Committee CALIFORNIA ECONOMIC SNAPSHOT

Senator Charles E. Schumer, Chairman
Congresswoman Carolyn B. Maloney, Vice Chair

December 19, 2007

Over the past seven years, the Bush economy has made it more difficult for most Americans to get ahead. Under the current Administration, the basic goals of the American dream – raising a family, owning a home, paying for college, saving for retirement – have become intimidating hurdles for hardworking people. Slow growth in families' wages has been compounded by double-digit cost increases for health care, energy, and college tuition. Democrats are fighting for a new direction in economic policy, aimed at restoring broad-based growth, reducing the high costs of health care and energy, improving retirement security, and increasing prosperity for all Americans.

REAL HOUSEHOLD INCOME HAS STAGNATED; JOB CREATION HAS BEEN ABYSMAL

California's Median Household Income Increased By Only 1.1 Percent Since 2000. In California, real median household income averaged \$54,385 over the 2005-2006 period, compared with \$53,791 over the 1999-2000 period. Despite strong gains in productivity, workers' wages are only marginally higher than they were 25 years ago, and nationally, the inflation-adjusted income of a typical American household fell by \$962, or 2.0 percent, to \$48,201 between 2000 and 2006. [Bureau of the Census, U.S. Department of Commerce, available [here](#). Following Census guidance, this fact sheet compares the two-year average for 1999-2000, the last years of the Clinton administration, to the two-year average for 2005-2006, the most recent two year period for which this data is available, to analyze changes in household income, poverty and health insurance coverage under this Administration. For more information, see the JEC's August 29, 2007 fact sheet on household income, available [here](#). Note: These and all other inflation-adjusted dollar amounts found in this fact sheet are expressed in constant 2006 dollars.]

California's Job Growth Under the Current Administration Lags Far Behind Previous Presidents. The current president is competing with his father for the worst job creation record of any president since Herbert Hoover, having created only 5.9 million jobs since taking office in January 2001, an average of 72,000 new jobs per month. In California, only 551,300 new jobs have been created since January 2001, an average of 6,700 new jobs per month. At the same point in the Clinton administration, 20.2 million new jobs had been created, 2,053,500 of which were in California. In particular, the manufacturing sector has been hit hard by the economy under the current Administration, with payrolls nationwide declining by 3.1 million jobs between January 2001 and October 2007, and by 384,700 in California over the same period. [Bureau of Labor Statistics, U.S. Department of Labor, available [here](#).]

FAMILIES ARE FEELING THE SQUEEZE OF RISING EXPENSES

Rising Energy Costs Lead to Higher Gas and Home Heating Prices for California Residents. Rising energy costs are making it more difficult for California families to stretch their household budgets. In December 2001, the average retail price per gallon of gasoline in California was \$1.00. The average gas price per gallon is \$3.33 as of December 2007. When adjusted for inflation, this represents an increase of 182 percent. At the same time, the coming winter is expected to hit California families hard, as average home heating costs have risen by 5.3 percent per household from \$580 to \$611 in the past year. [Federal Highway Administration, U.S. Department of Transportation, available [here](#); American Automobile Association, available [here](#). Energy Information Administration, U.S. Department of Energy, available [here](#); Bureau of the Census, U.S. Department of Commerce, available [here](#). Home heating costs are calculated using data taken from the Department of Energy data on regional household heating expenditures, broken down by fuel type, and applying this to data on state-specific usage of each fuel type, provided by the Bureau of the Census, to produce a weighted average per household for each state.]

Health Care Premiums Rose 49.5 Percent in California Since 2000. In 2005, the average inflation-adjusted health care premium for family coverage in California was \$10,895, a 49.5 percent increase from 2000, while the average premium for individual coverage was \$3,948, an increase of 42.6 percent since 2000. Nationwide, the inflation-adjusted average monthly premium for family health coverage in the United States rose by 39.7 percent from 2000 to 2005, even as real median household income declined by 2.7 percent over the same period. [Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services, available [here](#).]

California College Tuition Rose 47.1 Percent Since 1999. California parents of college age students have also been hard hit under the current Administration, as inflation-adjusted tuition for California's four-year public colleges increased 47.1 percent between the 1999-2000 and 2005-2006 school years to \$4,552 per year. With that \$1,456 increase over just six years, California families are finding it more and more difficult to afford to send their children to

college, and they are not alone. Nationally, public college tuition has risen at more than double the rate of inflation in recent years. Between the 1999-2000 and 2005-2006 academic years, average inflation-adjusted tuition and fees at U.S. public colleges and universities increased by 36.3 percent. [Institute of Education Sciences, U.S. Department of Education. *Digest of Education Statistics* "Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by type and control of institution and state or jurisdiction". Data for 1999-2000 available [here](#); data for 2005-2006 available [here](#).]

Child Care Costs For Two-Child Families Averaged \$1,490 Per Month in California. Child care continues to be a hefty burden on the budgets of California parents, with inflation-adjusted monthly care for an infant averaging \$834, and monthly care for two children averaging \$1,490. [National Association of Child Care Resource and Referral Agencies, available [here](#).]

THE HOUSING CRISIS IS ERODING HOME WEALTH, HURTING THE BROADER ECONOMY

The Subprime Mortgage Crisis Is Impacting All California Homeowners. Under the Bush administration's watch, unregulated mortgage originators were given financial incentives to sell risky, unaffordable subprime mortgages to vulnerable borrowers. As these adjustable rate mortgages reset to higher rates, the number of families unable to afford their payments and threatened with foreclosure is skyrocketing. In California, mortgages in delinquency have increased from 191,900 in the third quarter of 2005 to 317,800 in the third quarter of 2007. According to a recent report published by the Joint Economic Committee (JEC), the number of subprime foreclosures in California will total 191,100 between third quarter 2007 and the end of 2009. [Mortgage Bankers Association, JEC October 25th Subprime Lending Crisis Report, available [here](#).]

High Foreclosure Rates Drag Down Neighboring Property Values and Household Wealth. The mortgage foreclosure crisis will have severe costs for California homeowners, not only in direct costs, but in its effect on home values and declining property taxes. According to the JEC, subprime mortgage-related foreclosures will cost California \$23.8 billion over the second half of 2007 through the end of 2009. Nationally, the expected economic costs of forecast foreclosures total nearly \$104 billion. Moreover, these numbers do not include the larger effects that the foreclosure crisis may have on the economy. Home prices, which drove up consumer spending when they rose earlier this decade, are in decline now, and consumers may begin to draw back on spending, negatively impacting GDP growth. [JEC October 25th Subprime Lending Crisis Report, available [here](#).]

THE ECONOMIC COST OF THE IRAQ WAR IS STAGGERING

The Iraq War Will Cost \$36,900 Per California Household. According to the JEC's recent report, the direct and indirect costs of the Iraq War will be massive, especially if the Bush administration continues to keep large numbers of troops there. Even assuming significant force reductions, the cost of the Iraq War will total \$358 billion for California taxpayers by 2017; the total cost to the country will be an estimated \$2.8 trillion. [JEC November 13th Iraq War Cost Report, available [here](#).]

POVERTY REMAINS PERSISTENTLY HIGH

In California, 4.6 million Residents Were Living in Poverty Over Last Two Years. In California, 4.6 million residents were living below the poverty line during the 2005-2006 period, an increase of 1.3 percent over the 1999-2000 period. Unfortunately, this problem is not confined to the adult population as 18.3 percent of California's children are living below the poverty line. Nationally, 12.3 percent of Americans were living in poverty as of 2006. [Bureau of the Census, U.S. Department of Commerce, available [here](#). See the JEC August 29, 2007 Fact Sheet on Poverty, available [here](#).]

THE RANKS OF THE UNINSURED CONTINUE TO GROW

Over Last Two Years, 6.8 million California Residents Had No Health Insurance. A growing number of California residents are living without health insurance. During the 2005-2006 period, an average of 6.8 million California residents—18.8 percent of the state's population—had no health insurance; this was 467,000 more than during the 1999-2000 period. Furthermore, 13.1 percent of California's children had no health insurance. Across the country, the number of Americans without health insurance totals 47 million, up 8.6 million since the current Administration took office. [Bureau of the Census, U.S. Department of Commerce, available [here](#). See the JEC August 29, 2007 Fact Sheet on Health Insurance Coverage, available [here](#).]